

Escrow Disclosure Statement

The following pages will provide you with samples of the Escrow Disclosure Statement and letter of explanation that were recently sent to our contract holders. The Escrow Disclosure Statement reflects the activity for the current fiscal year for the escrow accounts and the projected activity for the next fiscal year along with any changes or refunds due. We have samples of both a disclosure for an account with a refund and an account with a shortage.

In addition, we have provided some frequently asked questions and answers to assist you in your understanding of the Escrow Disclosure process. Should you require further information, you may reach us at our email address loanserv@cdva.ca.gov, or our mailing address at P.O. Box 942895, Sacramento, CA 94295-0001 or by calling 1-800-952-5626.

- I. Cover Letter
- II. Example of an Escrow Disclosure Statement with a Refund
- III. Example of an Escrow Disclosure Statement with a Shortage
- IV. Questions and Answers about your Escrow Disclosure Statement

**DEPARTMENT OF VETERANS AFFAIRS
DIVISION OF FARM AND HOME PURCHASES**

POST OFFICE BOX 942895
SACRAMENTO, CALIFORNIA 94295-0001
Telephone: (916) 503-8362
Toll Free (800) 952-5626



June 30, 2001

Enclosed is the Escrow Disclosure Statement (Statement) for your Cal-Vet loan. It reflects all receipts and disbursements from your impound accounts from August 1, 2000, through July 31, 2001 and the projected receipts and disbursements from your impound accounts for the next fiscal year. Most of you received a similar statement in August 2000. The Statements are produced in a manner that complies with federal law.

The box at the top of the Statement provides the information used to project the amounts needed in your impound accounts for the twelve-month period (fiscal year) beginning August 1, 2001. The information is based upon actual amounts paid out during the 2000-2001 fiscal year. Last year, your impound installments were set to establish a two-month cushion to ensure sufficient funds to meet increased expenditures from your accounts. Now that the two-month cushion has been established so that your impound accounts maintain a target balance, your impound installments may be reduced. Compare the "New Payment" on the first page of the Statement with the "Previous Payment" under Actual Activity to see how your monthly installment was affected. If your impound accounts balance exceeds the two-month cushion (target balance) by \$50.00 you will receive a refund; any excess less than \$50.00 will remain in your impound accounts balance and simply reduce your monthly impound installments. All refunds will be issued by the end of August 31, 2001 and will include 2% interest, as required by law.

PLEASE NOTE: If you receive a large refund and you recently purchased or built a new home, we may not have paid a tax bill assessed at the newly appraised rate, and/or a Supplemental Tax Bill may be pending. Because Cal-Vet cannot retain more than the 2-month cushion, we will not have the funds to pay a Supplemental Tax Bill and payment will be your responsibility. Therefore, you may wish to check with your local County Tax Collector to determine if a Supplemental Tax Bill is pending.

If your Statement reflects an escrow shortage, your monthly installment will be increased over the 12-month period. If you prefer to pay the shortage in a lump sum to avoid an increase in your monthly impound installment, you may submit your check and request to the address listed below.

Changes to your monthly installment, as indicated in your Statement, will be reflected on your August 1, 2001, billing statement. We are sending the Escrow Disclosure Statement this month to provide you sufficient time for review prior to any changes taking place. The Statement assumes timely receipt of payments through July 31, 2001.

You may want to access our website at <http://www.cdva.ca.gov/calvet/> for a list of questions and answers. If you have further questions, you may either: send an email inquiry to loanserv@cdva.ca.gov; submit a written inquiry to the Contract Services Unit at the above address; or telephone this unit at the above number. However, we may be unable to provide an immediate answer by telephone, depending on the complexity of the question.

We appreciate your business and thank you for being a Cal-Vet customer.

A handwritten signature in cursive script that reads "George Flores".

GEORGE FLORES, Chief
Farm and Home Purchases Division

Example I: Escrow Disclosure Statement with Refund**Escrow Disclosure Statement**

Projections from: 08/01/2001 to 07/01/2002 for Coming Year

Account No: XXXXXX

1, 869.96	Total Projected Payments from Escrow
12	Divide by Number of Months in Analysis Period
155.83	Equals the Projected Payment to Escrow
311.66	Target Balances* (Cannot be Greater than 2 Projected Escrow Payments)
560.24	Required Starting Balance to achieve the Target Balance
792.51	Subtract Projected Starting Balance
-232.27	Your account is showing a surplus of \$232.27. We are sending you a check for the surplus.
New P&I	New Escrow
634.03	155.83
	New Payment
	789.86

Month	Payments to Escrow	Payments from Escrow	Description	Required Balance
			STARTING BALANCE	560.24
August	155.83	0.00		716.07
September	155.83	0.00		871.90
October	155.83	0.00		1027.73
November	155.83	291.50	Fire & Hazard Insurance	892.06
December	155.83	736.23	Property Taxes	311.66
January	155.83	0.00		467.49
February	155.83	0.00		623.32
March	155.83	0.00		779.15
April	155.83	0.00		934.98
May	155.83	106.00	Disaster Indemnity Premiums	984.81
June	155.83	736.23	Property Taxes	404.41
July	155.83	0.00		560.24

Projections from: 08/01 /2000 to 07/01 /2001 for Previous Year

Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance
			STARTING BALANCE	1244.59
August	171.25	0.00		763.14
September	171.25	0.00		934.39
October	171.25	0.00		1105.64
November	171.25	275.00	Fire & Hazard Insurance	1001.89
December	171.25	830.64	Property Taxes	342.50
January	171.25	0.00		513.75
February	171.25	0.00		685.00
March	171.25	0.00		856.25
April	171.25	0.00		1027.50
May	171.25	0.00		1198.75
June	171.25	118.75	Disaster Indemnity Premiums	1251.25
June	0.00	830.64	Property Taxes	420.61
July	171.25	0.00		591.86

Actual activity from: 08/01 /2000 to 07/31 /2001 for Previous Year

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Previous P&I	Previous Escrow	Previous Payment
634.03	171.25	805.28

Month	Payments to Escrow	Payments from Escrow	Description	Balance
			STARTING BALANCE	791.28
August	0.00	652.70	Escrow Refund	591.89
August	171.25	0.00		763.14
September	171.25	0.00		934.39
October	342.50	0.00		1,276.89
November	0.00	291.50	Fire & Hazard Insurance	985.39
December	171.25	736.23	Property Taxes	420.41
January	171.25	0.00		591.66
February	171.25	0.00		762.91
March	342.50	0.00		1,105.41
April	0.00	736.23	Property Taxes	369.18
May	171.25	106.00	Disaster Indemnity Premiums	434.43
June	186.83	0.00		621.26
July	171.25	0.00		792.51

Example II: Escrow Disclosure Statement with Shortage**Escrow Disclosure Statement**

Projections from: 08/01/2001 to 07/01/2002 for Coming Year

Account No: XXXXXX

4,212.34	Total Projected Payments from Escrow
12	Divide by Number of Months in Analysis Period
351.03	Equals the Projected Payment to Escrow
702.06	Target Balances* (Cannot be Greater than 2 Projected Escrow Payments)
791.28	Required Starting Balance to achieve the Target Balance
-1,100.63	Subtract Projected Starting Balance
1,891.91	Your account is showing a shortage of \$1,891.91. We have decided to collect it over 12 months.
New P&I	New Escrow
1,200.47	508.69
	New Payment
	1,709.16

Month	Payments to Escrow	Payments from Escrow	Description	Required Balance
			STARTING BALANCE	791.28
August	351.03	0.00		1,142.31
September	351.03	0.00		1,493.34
October	351.03	0.00		1,844.37
November	351.03	0.00		2,195.40
December	351.03	1,844.37	Property Taxes	702.06
January	351.03	0.00		1,053.09
February	351.03	0.00		1,404.12
March	351.03	0.00		1,755.15
April	351.03	0.00		2,106.18
May	351.03	140.60	Disaster Indemnity Premiums	2,316.61
June	351.03	1,844.37	Property Taxes	823.27
July	351.03	383.00	Fire & Hazard Insurance	791.30

Projections from: 08/01 /2000 to 07/01 /2001 for Previous Year

Month	Payments to Escrow	Payments from Escrow	Description	Projected Balance
			STARTING BALANCE	2,364.65
August	89.73	0.00		269.15
September	89.73	0.00		358.88
October	89.73	0.00		448.61
November	89.73	0.00		538.34
December	89.73	266.28	Property Taxes	361.79
January	89.73	0.00		451.52
February	89.73	0.00		541.25
March	89.73	0.00		630.98
April	89.73	0.00		720.71
May	89.73	0.00		810.44
June	89.73	157.51	Disaster Indemnity Premiums	742.66
June	0.00	266.28	Property Taxes	476.38
July	89.73	386.65	Fire & Hazard Insurance	179.46

Actual activity from: 08/01 /2000 to 07/31 /2001 for Previous Year

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Previous P&I	Previous Escrow	Previous Payment
1,200.47	89.73	1,290.20

Month	Payments to Escrow	Payments from Escrow	Description	Balance
			STARTING BALANCE	791.28
August	0.00	2,185.23	Escrow Refund	269.15
August	89.73	0.00		358.88
October	89.73	0.00		448.61
November	89.73	0.00		538.34
December	0.00	1,844.37	Property Taxes	-1,306.03
December	89.73	0.00		-1,216.30
January	89.73	0.00		-1,126.57
February	1,934.10	0.00		807.53
March	89.73	0.00		897.26
April	0.00	1,844.37	Property Taxes	-947.11
April	89.73	0.00		-857.38
May	89.73	140.60	Disaster Indemnity Premiums	-908.25
June	100.89	0.00		-807.36
July	89.73	383.00	Fire & Hazard Insurance	-1,100.63

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ESCROW ANALYSIS AND DISCLOSURE STATEMENT

QUESTIONS AND ANSWERS

Q. I haven't received my escrow refund. Has it been mailed or when will it be mailed?

A. All escrow refunds are scheduled to begin processing on August 31. If you have not received your refund by the 2nd week in September, please contact us.

Q. My statement says my account is short yet my payment is decreasing, why?

A. Last year, your analysis calculated for a two-month cushion. This year, the analysis is only going to collect for whatever portion of the two-month cushion was used for increases beyond our projections. The shortage referred to in the box at the top of the disclosure statement is the amount needed to add to the monies remaining in your impound account at the end of July versus what is required to begin your impound account August 1. If your shortage did not use the entire cushion established in your monthly payment last year, then you will find a decrease in your payment even though some of the cushion may have been used causing a shortage for the beginning escrow balance.

Q. Explain cushion.

A. Cushion is the excess monies carried in your impound account that allows us to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account. Cal-Vet has established a two-month cushion for each Contract Holder for this purpose. This means during the fiscal year your escrow account will never carry a balance less than the total of two monthly escrow payments.

Q. Explain the target balance.

A. The target balance is that point during the next fiscal year that your account will reach the total of two monthly escrow payments. That takes into consideration, your required beginning balance, scheduled periodic payments and disbursements. Regulations allow a two-month cushion in an escrow account to cover unanticipated disbursements or disbursements made before the borrower's payments are available in the account.

Q. Explain the required starting balance.

A. The required starting balance represents the funds necessary to achieve the target balance in your escrow account during the year when combined with the monthly incoming escrow payments and disbursements. Regulations allow Cal-Vet to require the borrower to repay a shortage in the required starting balance within 30 days or to repay the shortage amount in equal monthly payments over at least a 12-month period. Cal-Vet chose to allow repayment over a 12-month period.

Q. How did you arrive at my required starting balance?

A. Projected payments to your escrow account and disbursements from your escrow account along with the requirement of a cushion were programmed into the accounting system. The system then calculated the starting balance necessary to assure the balance in your escrow account would never go below the two-month cushion (target balance) during the year. If you look at the box at the top of the disclosure it will indicate the figure that is the target balance. Now look at the projections for next year on the lower right and you will see that same figure at some point during the next fiscal year from August 1 through July. Using any other starting balance will not allow for this to happen and your account will at some point drop below the required cushion.

Q. What makes up the total projected payments?

A. Projected payments represents all the projected disbursements for your loan for the next fiscal year. When divided by 12, it then represents the monthly amount required to meet the projected disbursements. This figure when combined with any shortage of the established two-month cushion will make up your new escrow collection monthly.

Q. Why is my projected payment to escrow different then the new escrow payment?

A. The new escrow payment represents the amount necessary to cover the next fiscal year disbursement projections and the monthly amount necessary to cover the shortage in the two-month cushion (if applicable) that is required to start your escrow balance August 1. In the event, you do not wish to repay the cushion shortage over a 12-month period, you may remit the full shortage along with your August payment and we will reduce your monthly payment accordingly. Please be sure to make payment of the shortage under separate check along with a note advising that this payment is to pay the shortage for your escrow cushion. You should send this payment to the Department of Veterans Affairs, P.O. Box 942895, Sacramento, CA 94295-0001 ATTN: Contract Services.

Q. Will this be my payment for the rest of the year?

A. Yes, however, it should be noted, that Pacific Life and Annuity will be renewing their coverage in February and the renewal may cause a change to your monthly payment. Any change will be reflected on your March billing.

Q. My disclosure statement shows a surplus of (less than \$50). I want it refunded to me.

A. Regulations allow Cal-Vet to credit any surplus amount in an escrow account under \$50 to the next year's escrow impound by reducing the monthly escrow collection. This was determined to be the most prudent and economically feasible choice. There will be no exceptions.

Q. I want you to keep the refund because I know there will be a Supplemental Tax bill, can you do that?

A. RESPA requires that we refund all excess monies in your impound account that exceed \$50. However, if you wish to return the refund for deposit to your account, you may do so with a written request asking us to deposit your payment to your impound account. Please be sure to make payment under separate check along with a note advising that this payment is to be deposited to your impound account. You should send this payment to the Department of Veterans Affairs, P.O. Box 942895, Sacramento, CA 94295-0001 ATTN: Contract Services.

Q. It is obvious to me that you did not pay a full tax bill for my property or that your projections are too low, why did you reduce my payment?

A. We are required to project your payments using the actual disbursements made on your account. However, if you want your payment to be increased, we can do so with your written request.

Q. Why don't you calculate the interest on the impound account monthly so that I receive more interest?

A. Regulations require the lender to provide an annual analysis and to calculate interest on the impound account monies that remain at the time of analysis not on all the monies that have been receipted and disbursed during the fiscal year.

Q. What is RESPA?

A. RESPA means the Real Estate Settlement Procedures Act of 1974,

12 U.S.C. 2601 et seq. If you have questions regarding RESPA, please direct them to the Director, Office of Consumer and Regulatory Affairs, Department of Housing and Urban Development, 451 7th Street SW., Washington, DC 20410-8000.